

Message Text

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PAGE 01 SAN JO 04383 01 OF 03 091541Z

46

ACTION EB-07

INFO OCT-01 ARA-06 IO-13 ISO-00 USIE-00 INRE-00 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 PRS-01 SP-02

FEAE-00 OMB-01 SSO-00 AGRE-00 /093 W
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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC IMMEDIATE 5036

INFO USMISSION GENEVA MTN

AMEMBASSY BRASILIA

LIMITED OFFICIAL USE SECTION 1 OF 3 SAN JOSE 4383

E.O. 11652: N/A

TAGS: ETRD, CO

SUBJECT: US-BRAZILIAN CONSULTATIVE TRADE GROUP: MULTILATERAL
TRADE
NEGOTIATIONS DISCUSSIONS

1. SUMMARY: MTN TRADE POLICY TEAM LEAD BY DEPUTY SPECIAL
TRADE REPRESENTATIVE CLAYTON YEUTTER, ACCOMPANIED BY REPRESENTATIVES
FROM AGRICULTURE, COMMERCE, LABOR, STATE AND TREASURY, MET
WITH BRAZILIAN OFFICIALS IN BRASILIA AFTERNOON OF SEPTEMBER 3
AS PART OF PERIODIC CONSULTATIONS UNDER FRAMEWORK OF
US-BRAZIL TRADE CONSULTATION SUB-GROUP. AMBASSADOR YEUTTER
REVIEWED IN DETAIL US VIEWS ON MTN IN GENERAL AND IN VARIOUS
GROUPS IN PARTICULAR, NOTING THAT LDC'S SHOULD BE AMONG
PRINCIPAL BENEFICIARIES OF CURRENT ROUND OF TRADE NEGOTIATIONS
WHICH SHOULD BE BROUGHT TO CONCLUSION IN 1977. GOB SPOKESMEN
EXPRESSED DISAPPOINTMENT WITH LITTLE PROGRESS MADE TO DATE
IN MTN ON PROVIDING SPECIAL AND DIFFERENTIAL TREATMENT FOR LDC'S,
AND NEED TO CREATE OPEN-ENDED FRAMEWORK IMPROVEMENT GROUP IN
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PAGE 02 SAN JO 04383 01 OF 03 091541Z

MTN TO PROVIDE FORUM FOR -- INTER ALIA -- NEGOTIATING SPECIAL

AND DIFFERENTIAL TREATMENT FOR LDC'S. END SUMMARY

2. AMBASSADOR YEUTTER REVIEWED U.S. PROGRAM FOR BILATERAL CONSULTATIONS WITH VARIOUS LDCS TO STIMULATE THEIR PARTICIPATION IN MTN, MENTIONING RECENT CONSULTATIONS IN KOREA, VISIT TO KEY LATIN CAPITALS BY AMBASSADOR YEUTTER, AND PROPOSED VISITS BY AMBASSADOR DENT TO CERTAIN OTHER COUNTRIES. HE POINTED OUT IMPORTANCE OF SEEKING TO CONCLUDE MTN IN 1977, WHEN ECONOMIC AND POLITICAL CONDITIONS IN KEY DEVELOPED COUNTRIES WOULD BE MOST FAVORABLE. ONE POSSIBILITY FOR STIMULATING INCREASED ACTIVITY WOULD BE THROUGH A MINISTERIAL LEVEL MEETING OF THE MTN TRADE NEGOTIATING COMMITTEE IN MARCH OR APRIL, 1977. IF MEETING WERE HELD, IT MIGHT ALSO BE POSSIBLE FOR FORMALIZE AGREEMENT ON THE BASIS FOR TARIFF NEGOTIATIONS IN MTN. AMBASSADOR YEUTTER NOTED IT WOULD PROBABLY BE NECESSARY TO REACH AGREEMENT ON TARIFF FORMULA, AND AT LEAST A GENERAL UNDERSTANDING ON EXCEPTIONS PROCEDURES AND SPECIAL AND DIFFERENTIAL TREATMENT (S&D) FOR LDC'S AT THE SAME TIME, I.E., PRIOR TO TNC MEETING. THIS WOULD INVOLVE INTENSIVE NEGOTIATIONS WITH THE PROSPECTIVE FORMULA COUNTRIES.

3. BRAZIL DEL., AMB. SOUTO MAIOR, NOTED DEEP SKEPTICISM AMONG LDCS CONCERNING GATT NEGOTIATIONS, WHICH ARE NOT BELIEVED TO HAVE CONTRIBUTED IN THE PAST TO EXPANSION OF LDC TRADE. HIS EVALUATION WAS THAT THERE HAD BEEN NO PROGRESS IN THE MTN, WHICH APPEARED TO BE PARALYZED, ALTHOUGH CONTINUING SOME FORWARD MOVEMENT IN CLARIFICATION OF ISSUES IN BILATERAL NEGOTIATIONS. ONLY CONCRETE DEVELOPMENTS IN MULTILATERAL NEGOTIATIONS HAD BEEN IN TROPICAL PRODUCTS GROUP, AND THESE HAD BEEN NEGATIVE FROM LDC STANDPOINT. HE BELIEVED IT WOULD BE VERY DIFFICULT TO GET LDCS TO PARTICIPATE EFFECTIVELY IN MTN IF THEY ARE REQUESTED TO CONTRIBUTE RECIPROCALLY IN ALL SECTIONS OF THE NEGOTIATIONS. SOUTO MAIOR NOTED POSSIBILITY OF AGREEING ON THE THREE KEY ELEMENTS OF THE TARIFF NEGOTIATIONS AT THE SAME TIME AND INQUIRED IF THIS WAS A CHANGE IN THE U.S. POSITION WHICH HAD APPEARED TO BE TO INSIST ON AGREEMENT ON A TARIFF FORMULA BEFORE EITHER EXCEPTIONS OR S&D COULD BE CONSIDERED. AMBASSADOR YEUTTER COMMENTED THAT AS A PRACTICAL MATTER IT WOULD NOT BE POSSIBLE TO SECURE FINAL AGREEMENT ON A FORMULA WITHOUT AT LEAST AN UNDERSTANDING ON THESE EXCEPTIONS POLICY TO BE FOLLOWED BY THE LIMITED OFFICIAL USE

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PAGE 03 SAN JO 04383 01 OF 03 091541Z

MAJOR PARTICIPANTS, WHILE AGREEMENT ON S&D WAS NEEDED TO ENABLE LDC PARTICIPATION IN THE TARIFF NEGOTIATIONS. SOUTO MAIOR NOTED THAT TARIFF FORMULA WOULD BE DECIDED BY MAJOR TRADING COUNTRIES AMONG THEMSELVES. BRAZIL IN PARTICULAR AND LDCS IN GENERAL WOULD BE VERY CONCERNED, HE OBSERVED, IF THEY WERE NOT INVOLVED IN WORKING OUT SPECIFIC MEASURES OF S&D, NOTING THAT THE S&D BRAZIL DESIRED COULD PROBABLY NOT BE ACCOMPLISHED WITHOUT CHANGE IN PRESENT GATT RULES, STARTING

WITH ARTICLE I AND MFN TREATMENT IN TARIFFS.

4. AMB. YEUTTER STATED THAT IT WAS THE US'S INTENTION TO CONSULT CLOSELY WITH BRAZIL AND OTHER LDC'S ON S&D IN THE TARIFFS NEGOTIATIONS, AND THE US WOULD LIKE TO KNOW THE SPECIFIC PRODUCTS IN WHICH BRAZIL WAS INTERESTED IN RECEIVING SPECIAL TREATMENT. US DID NOT HAVE PROBLEMS WITH TRADE LIBERALIZING S&D IN THE TARIFF NEGOTIATIONS, SUCH AS DEEPER THAN FORMULA CUTS OR MORE RAPID IMPLEMENTATION OF TARIFF REDUCTIONS ON PRODUCTS OF INTEREST TO LDCS, HOWEVER, US WAS OPPOSED TO NON-TRADE LIBERALIZING MEASURES. US OPPOSITION TO BINDING OF PREFERENTIAL RATES OR MAINTENANCE OF PREFERENTIAL MARGINS WAS BASED ON FOLLOWING ARGUMENTS:

A) MAINTENANCE OF PREFERENCES WOULD INTERFERE WITH LOWERING TRADE BARRIERS WORLDWIDE AND WOULD BE A FORM OF CONTINUED PROTECTIONISM; AND

B) ABSENCE OF LEGAL AUTHORITY; AND

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PAGE 01 SAN JO 04383 02 OF 03 091620Z

55

ACTION EB-07

INFO OCT-01 ARA-06 IO-13 ISO-00 USIE-00 INRE-00 AGR-05

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FM AMEMBASSY SAN JOSE

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LIMITED OFFICIAL USE SECTION 2 OF 3 SAN JOSE 4383

C) MAINTENANCE OF PREFERENCE MARGINS IS TOO HIGH TO PAY IN TERMS OF INTERNATIONAL ECONOMIC EFFICIENCY FOR TEMPORARY BENEFIT TO LDCS THAT MAY RESULT. AMB. YEUTTER EMPHASIZED THAT THIS WAS NOT A NEGOTIATING POSITION, AND THAT US COULD NOT ACCEPT EITHER MEINTENANCE OR BINDING OF PREFERENCES. HE NOTED THAT THOUGH THE EC AND JAPAN MIGHT CONSIDER SUCH PROPOSALS, HE DOUBTED THEY WOULD WISH TO ACCEPT THEM WHEN THE US COULD NOT DO SO. HE ALSO NOTED THAT IF OTHER DEVELOPED COUNTRIES WERE PERMITTED IN THE NEGOTIATIONS TO TAKE SUCH STEPS, THE US WOULD INSIST ON COMPENSATION FOR SUCH EXCEPTIONS BY THESE COUNTRIES TO THE TARIFF FORMULA.

5. SOUTO MAIOR NOTED FUNDAMENTAL OBJECTIVE WAS INSURING DIFFERENTIAL TREATMENT FOR LDCS, ESPECIALLY SEEKING SOME STABILITY TO GSP TARIFF RATES. HE NOTED BRAZIL HAD NOTIFIED THE US THOSE PRODUCTS OF SPECIAL INTEREST IN THE TROPICAL PRODUCTS (TP) GROUP, AND HAD SEVERELY LIMITED ITS REQUESTS, BUT THAT US HAD MADE AN OFFER ON ONLY ONE OF THOSE LIMITED OFFICIAL USE

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PAGE 02 SAN JO 04383 02 OF 03 091620Z

REQUESTED ITEMS. THE REMAINDER OF THE US TP OFFER FROM THE BRAZILIAN VIEWPOINT CONSISTED OF PRODUCTS IN WHICH THE US TARIFF WAS ALREADY LOW, AND EVEN THIS WAS ACCOMPANIED BY A REQUEST FOR RECIPROCAL CONCESSIONS. HENCE, IT DID NOT APPEAR TO BRAZL THAT IT WAS A VERY USEFUL APPROACH TO INDICATE THE PRODUCTS IN WHICH IT WAS INTERESTED. HE NOTED BRAZIL ACCEPTS THE PRINCIPLE OF MAKING SOME CONTRIBUTIONS FOR BENEFITS RECEIVED IN THE MTN, BUT THAT THIS WOULD COME AT END OF NEGOTIATIONS WHEN NET BENEFITS COULD BE WEIGHED AGAINST NET LOSSES TO JUDGE WHAT, IF ANY, NET BENEFITS RESULTED TO BRAZIL FROM THE MTN. HE NOTED BRAZIL HAD MADE MANY SUGGESTIONS FOR S&D IN A NUMBER OF AREAS OF THE NEGOTIATIONS, SOME OF WHICH WERE MADE MORE THAN THREE YEARS AGO BUT WHICH HAD NOT AS YET RECEIVED ANY POSITIVE ACTION OR RESPONSE. WHILE STILL INTERESTED, HE BELIEVED BRAZIL HAD NO GROUNDS TO FEEL OTHER THAN PESSIMISTIC AT THIS STAGE. AMB. YEUTTER RESPONDED BY STATING HIS FIRM BELIEF THAT LDCS WOULD BE AMONG THE PRINCIPAL BENEFICIARIES OF THE MTN. ALL DCS APPEAR TO BE COMMITTED, AS IS THE US TO IMPLEMENTING MEANINGFUL MEASURES OF S&D. THOUGH RESULTS MAY NOT YET BE EVIDENT, THERE ARE OBVIOUS REASONS FOR THIS; THE RESULTS SHOULD CLEARLY BE EVIDENT IN 1977. HE NOTED POSSIBILITIES IN VARIOUS AREAS OF THE NEGOTIATIONS, BUT ALSO OBSERVED THAT S&D WOULD HAVE TO BE DEVELOPED IN PARALLEL WITH DEVELOPMENT OF GENERAL APPROACH IN EACH AREA OF THE NEGOTIATIONS.

6. ROUANET STRONGLY SUPPORTED COMMENTS OF SOUTO MAIOR, AND COMMENTED THAT GOB UNDERSTOOD THAT ALL OF GSP COULD NOT POSSIBLY BE BOUND AS THIS WOULD PROHIBIT MEANINGFUL TARIFF

REDUCTIONS IN THE MTN. WHAT BRAZIL HAD PROPOSED INFORMALLY, HOWEVER, WAS SOME SECURITY TO GSP ON A FEW PRODUCTS FOR WHICH BRAZIL WOULD BE WILLING TO MAKE SOME CONTRIBUTION. USDEL NOTED STRONG PREFERENCE FOR MFN TARIFF REDUCTIONS, AND POINTED OUT THAT A BETTER APPROACH THAT COULD BE FOLLOWED ON SOME PRODUCTS WHICH DIFFER FROM THOSE PRODUCED IN DEVELOPED COUNTRIES WOULD BE TO CONSIDER EX-OUTS FROM THOSE ITEMS FOR MFN TREATMENT. ROUANET NOTED THAT THIS PROCEDURE WOULD NOT MEET ALL OF GOB'S OBJECTIVES, AS THEY WERE SPEAKING IN TERMS OF DIFFERENTIAL TREATMENT ON THE SAME PRODUCT SUPPLIED BY DEVELOPING AND DEVELOPED COUNTRIES.

7. FRAMEWORK IMPROVEMENT: AMB. YEUTTER NOTED SUBSTANTIAL LIMITED OFFICIAL USE

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PAGE 03 SAN JO 04383 02 OF 03 091620Z

AGREEMENT ON THREE AREAS FOR DISCUSSION BY THE PROPOSED FRAMEWORK GROUP, SHOULD IT BE AGREED UPON: DISPUTE SETTLEMENT; SUPPLY ACCESS; AND BALANCE OF PAYMENTS ISSUES. OTHER TOPICS OF MODIFICATION OF ARTICLE I AND RECIPROCITY WERE MORE DIFFICULT AND, IN US VIEW, IN ORDER TO DISCUSS THESE ISSUES, IT WOULD BE NECESSARY TO DISCUSS THE CONCEPT OF GRADUATION AS WELL.

8. ROUANET SAID DISCUSSION TO DATE WAS ONE OF GENERAL TERMS OF REFERENCE OF THE PROPOSED FRAMEWORK GROUP AND LISTING OF TOPICS TO BE PROPOSED BY BRAZIL IN THE FRAMEWORK GROUP TO BE DISCUSSED "INITIALLY". ONCE THE GROUP IS SET UP, IT WOULD BE UP TO THE GROUP TO DECIDE THE TOPICS THAT IT WOULD CONSIDER, BASED UPON THE RECOMMENDATIONS THAT BRAZIL AND OTHER PARTICIPANTS WOULD MAKE. ROUANET STRESSED, HOWEVER, THAT GOB DID NOT YET HAVE POSITIONS ON THE TOPICS IT HAD SUGGESTED FOR INITIAL DISCUSSION IN THE GROUP, BUT ONLY BELIEVED THAT THESE WERE AREAS WHICH WARRANTED DISCUSSION WITHIN THE MTN.

9. AMB YEUTTER COMMENTED THAT THERE APPEARED TO BE A GOOD PACKAGE OF TOPICS FOR DISCUSSION. HOWEVER, IT WAS NECESSARY TO KNOW IN FURTHER DETAIL WHAT MIGHT BE INVOLVED IN PROPOSALS IN ORDER TO ASCERTAIN IF THEY WOULD BE MANAGEABLE WITHIN THE 1977 TIME FRAME FOR THE CONCLUSION OF THE MTN. HE NOTED THAT DISCUSSION OF ARTICLE I AND MFN PRINCIPLE GIVES THE US THE MOST DIFFICULTY, AND HE DID NOT WANT BRAZIL TO HAVE ANY MISUNDERSTANDING AS TO WHAT THE US WOULD BE ABLE TO AGREE UPON IN THIS AREA. MOREOVER, ISSUES OF BINDING PREFERENCE RATES OR MARGINS COULD NOT BE CONSIDERED BY US. US ALSO FELT VERY

STRONGLY THAT IF ARTICLE I AND RECIPROCITY ISSUE WERE DISCUSSED, THAT LDC "GRADUATION" WOULD ALSO NEED TO BE CONSIDERED.

10. ROUANET COMMENTED THAT GRADUATION THEME HAD BEEN RAISED IN PAST BY US AND OTHER DCs ON SEVERAL OCCASIONS, AND NOTED PROBLEM OF ACCEPTING US REQUEST FOR COMMITMENT TO DISCUSS

GRADUATION WHEN HE WAS NOT SURE WHAT WAS MEANT. GOB DID NOT HAVE AN OFFICIAL POSITION ON THIS TOPIC, AND THEREFORE HIS COMMENTS WOULD BE STRICTLY PERSONAL. HE NOTED BRAZIL'S TRADITIONAL POSITION IN THE G-77 HAD BEEN TO ADAMANTLY REFUSE TO ACCEPT ANY DIFFERENTIATION AMONG LDC'S. BRAZIL VIEWED THIS AS A POLITICAL NORTH-SOUTH, OR DEVELOPED VERSUS DEVELOPING COUNTRY LIMITED OFFICIAL USE

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PAGE 04 SAN JO 04383 02 OF 03 091620Z

ISSUE, AND THAT IT WAS NOT POSSIBLE TO DIFFERENTIATE AMONG LDC'S. HE COULD NOT AGREE THAT QUANTITATIVE MEASURES COULD BE USED TO MEASURE WHEN AN LDC "GRADUATES" TO BE A DC, OR TO DEFINE STATE OF DEVELOPMENT, BUT THAT ONLY A POLITICAL CRITERIA WAS POSSIBLE ON A BASICALLY SELF-ELECTION BASIS FOR THOSE COUNTRIES WHICH WISH TO BE CONSIDERED AS DEVELOPING. CONCERNING BRAZILIAN MEANING OF RECIPROCITY AS A TOPIC FOR DISCUSSION, BRAZIL DID NOT HAVE SPECIFIC PROPOSALS AT THIS STAGE AND PRESUMABLY WOULD NOT DEVELOP THEM UNTIL IT KNEW THAT THERE WAS AN ACCEPTABLE FORUM IN WHICH TO NEGOTIATE. AS A GENERAL PROPOSITION, BRAZIL DOES NOT BELIEVE IN "NO RECIPROCITY" BY LDC'S, BUT DOES SUPPORT THE CONCEPT OF "RELATIVE RECIPROCITY." AMB YEUTTER POINTED OUT THAT BRAZIL WAS UNABLE TO SPECIFY ITS OBJECTIVES UNDER "RECIPROCITY" WHILE AT THE SAME TIME COMPLAING OF U.S. LACK OF SPECIFICITY ON "SUPPLY ACCESS." ROUANET LATER NOTED THAT BRAZIL COULD NOT POSSIBLY ACCEPT US APPROACH IN TROPICAL PRODUCTS NEGOTIATIONS, AND THAT BRAZIL CANNOT AGREE WITH US PRESENTING A REQUEST LIST IN EACH SECTOR OF THE NEGOTIATIONS, BUT WOULD ONLY CONSIDER CONTRIBUTIONS AT THE END OF THE DAY WHEN THE NET BENEFITS COULD BE ASSESSED. BRAZIL WOULD, HOWEVER, CONSIDER AS RECIPROCITY NOT ONLY SUCH MEASURES AS ADHERING TO SPECIFIC CODES THAT MIGHT BE NEGOTIATED, BUT WOULD ALSO CONSIDER THE MORE TRADITIONAL FORMS OF TARIFF CONCESSIONS. HE SAID THAT BRAZIL HAD ALREADY OFFERED TO PAY TO ACHIEVE SECURITY FOR PREFERENTIAL TARIFF CONCESSIONS, AND WOULD ALSO COMPENSATE FOR REMOVAL OF "LEGAL" IMPORT

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PAGE 01 SAN JO 04383 03 OF 03 091627Z

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ACTION EB-07

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AMEMBASSY BRAZILIA

LIMITED OFFICIAL USE SECTION 3 OF 3 SAN JOSE 4383

RESTRICTIONS. HE MENTIONED POSSIBILITY OF APPROACH IN TP GROUP IN WHICH OFFERING COUNTRIES WOULD IMPLEMENT THEIR CONCESSIONS WITH BENEFICIARY COUNTRIES HAVING A SPECIFIC TIME PERIOD, SUCH AS FIVE YEARS, IN WHRHH TO PHASE IN THEIR CONTRIBUTIONS. THIS PHASE-IN WOULD GIVE LDC'S OPPORTUNITY TO EVALUATE TRADE VALUE OF DC CONCESSIONS, AND IF LDC DID NOT MAKE APPROPRIATE CONTRIBUTIONS WITHIN AGREED TIME, THEN DC COULD SUSPEND THDWCONCESSIONS IT HAD MADE.

11. DURING SIDE DISCUSSXON ON TROPICAL PRODUCTS, MEMBER OF BRAZILIAN DEL INDICATED THAT BRAZIL DID NOT BELIEVE ANY OF PROPOSED TARIFF REDUCTIONS ON US TP OFFER LIST WERE OF "SIGNIFICANT" VALUE TO THEM. BRAZILIANS HAD DEFINED "SIGNIFICANT VALUE" AS ANY PRODUCT IN WHICH THEY SUPPLIED SIGNIFICANT QUANTITIES FOR WHICH A SIGNIFICANT TARIFF REDUCTION WAS OFFERED BY THE U.S. THEY DID NOT FIND ANY SUCH PRODUCT ON U.S. OFFER LIST. ALTHOUGH REALIZING QUALITATIVE VALUE OF OFFER OF ZERO DUTY, THEY POINTED OUT THAT FOR THOSE PRODUCTS WITH LOW DUTIES, BRAZILIAN EXPORTERS COULD ABSORB TARIFFS.
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PAGE 02 SAN JO 04383 03 OF 03 091627Z

BRAZIL DEL CONFIRMED THAT BINDING OF PRESENT ZERO US DUTY ON SOLUBLE COFFEE WAS OF INTEREST, BUT DID NOT BELIEVE IT JUSTIFIED A CONTRIBUTION BEFORE THE END OF THE NEGOTIATIONS. THEREFORE, NO SERIOUS INTERAGENCY THOUGHT BEING GIVEN TO CONTRIBUTIONS AT THIS TIME. BRAZILIAN DEL MEMBER DID NOT INDICATE WHAT GOB POSITION WOULD BE IF US OFFERED A CONCESSION ON A PRODUCT WPCH A "SIGNIFICANT" DUTY AND "SIGNIFICANT" TRADE.

12. SUBSIDIES AND COUNTERVAILING DUTY CODE: AMB. YEUTTER

OBSERVED THAT CANADA'S AMBASSADOR GRAY WOULD BE PRESENTING A DRAFT CODE THIS FALL. HE HOPED THAT THIS WOULD BE AS CATALYST FOR PROOZESS IN THIS VERY SENSITIVE AREA. ROUANET SAID BRAZILIAN POSITION ON SUBSIDIES AND COUNTERVAILING DUTIES HAD BEEN STATED A NUMBER OF TIMES, AND NOTED THAT ONE PROBLEM WAS THAT S&D PROPOSAL IN THIS AREA WAS BASED IN TERMS OF TYPES OF SUBSIDY PRACTICES, AND NOT IN TERMS OF THE COUNTRY, EITHER DC OR LDC, THAT ENGAGED IN THE SUBSIDY PRACTICE.

13. QUANTITATIVE RESTRICTIONS: AMB. YEUTTER INQUIRED IF BRAZIL WAS RECONSIDERING ITS REFUSAL TO CONSULT ON QR, NOTING THAT MAJOR TRADE PARTNERS SHOULD BE ABLE ALWAYS TO DISCUSS PROBLEMS AMONG THEMSELVES. ROUANET SAID THAT BRAZIL'S SEVERE BOP DIFFICULTIES MAKE IT DIFFICULT TO EVEN TALK ABOUT QR AND THAT BRAZIL WAS NOT IN A POSITION TO EVEN START CONSULTING AT THIS TIME. HE PROMISED, HOWEVER, TO REEXAMINE SITUATION, AND DID NOT EXCLUDE A POSSIBLE CHANGE IN THE POSITION IN THE NEAR FUTURE. (IN SIDE CONVERSATION, MEMBER OF BRAZILIAN DEL SAID HE HAD BEEN URGING WITHIN GBQ THAT QR CONSULTATIONS BE UNDERTAKEN, AND WAS HOPEFUL THAT GOB POLICY MIGHT CHANGE IN NEAR FUTURE).

14. AGRICULTURE: AMB. YEUTTER NOTED THAT DURING CURRENT LATIN AMERICAN CONSULTATION TRIP, ARGENTINA AND OTHER COUNTRIES HAD RAISED THE POSSIBILITY OF AGRICULTURAL EXPORTERS CONSULTING TOGETHER. U.S. WOULD CONSIDER POSSIBILITY OF INVITING MAJOR EXPORTERS, INCLUDING BRAZIL, TO SUCH DISCUSSIONS IN WASHINGTON THIS NOVEMBER OR DECEMBER.

15. COMMENT: GOB DELS WERE WELL INFORMED ON STATUS OF MTN AT WORKING LEVELS, BUT IT APPEARED THAT HIGHER LIMITED OFFICIAL USE

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PAGE 03 SAN JO 04383 03 OF 03 091627Z

LEVELS OF GOB ARE NOT FOLLOWING MTN DEVELOPMENTS CLOSELY. ACCORDING TO MEMBER BRAZILIAN DEL, SOUTO MAIOR WAS BROUGHT UP TO SPEED FOR CONSULTATIONS IN TWO-HOUR BRIEFING SESSION. SOUTO MAIOR'S LACK OF PREPAREDNESS WAS INDEED APPARENT DURING PORTION OF MEETING THAT HE ATTENDED. ROUANET CHAIRED LATTER PART OF SESSION, WHICH WENT MUCH MORE SMOOTHLY. ROUANET IS PRESUMABLY HIGHEST-LEVEL GOB OFFICIAL IN BRASILIA RESPONSIBLE FOR MTN, AND HAS TWO PROFESSIONALS ON HIS STAFF AT FOREIGN MINISTRY WHOSE DUTIES INCLUDE MTN SUPPORT. ROUANET IS TO BE TRANSFERRED THIS MONTH TO BE CONSUL GENERAL IN ZURICH, AND IS TO BE REPLACED BY ALENCAR FROM BRAZIL'S GENEVA DELEGATION. IN GENEVA, ALENCAR HAS FOLLOWED UNCTAD, IS EXPERT ON TECHNOLOGY TRANSFER ISSUES, AND, WHILE VERY ABLE AND TALENTED, IS NOT KNOWN TO HAVE BACKGROUND IN GATT OR MTN.

16. CREATION OF FRAMEWORK IMPROVEMENT GROUP IS CLEARLY MAJOR INTEREST OF GOB IN MTN AT THIS TIME. THEY DO NOT APPEAR TO HAVE ANY WELL THOUGHT OUT PROPOSALS FOR SPECIFIC CHANGES THEY DESIRE TO SEE IN GATT, BUT ONLY AN INITIAL LIST OF TOPICS FOR CONSIDERATION. THEY APPEAR INSISTENT THAT GROUP, ONCE FORMED, SHOULD BE ABLE TO DECIDE UPON ITS OWN WORK PROGRAM. BASIC OVERALL GOAL APPEARS TO BE ADOPTION OF SPECIAL, MORE FAVORABLE TREATMENT FOR LDC IN ALL PARTS OF GATT, WITH BRASILIA PRESUMABLY LEAVING TACTICS OF GETTING GROUP ESTABLISHED TO ITS GENEVA DELEGATION. GOB DOES NOT APPEAR WILLING AT THIS STAGE TO LIMIT TOPICS OF INTEREST TO LDC TO BE CONSIDERED BY GROUP AS PRICE FOR HAVING GROUP ESTABLISHED. THEY ARE ALSO RELUCTANT TO GIVE COMMITMENTS THAT TOPICS OF INTEREST TO U.S. AND INVOLVING LDC OBLIGATIONS WILL BE INCLUDED, E.G., GRADUATION, INFANT INDUSTRY, AND LDC CUSTOMS UNIONS, THOUGH THEY DO SEEM PREAPRED TO ACCEPT SUPPLY ACCESS AS A TOPIC.

17 UNDER PROBING BY AMBASSADOR YEUTTER IN AFTERMVON SESSION, ROUANET BOBBED AND EAVED ON SPECIFICS OF GATT REFORM ISSUE. IT APPEARS THAT MACIEL IN GENEVA HAS THOUGHT THROUGH THIS ISSUE MUCH MORE THAN HAVE HIS BRASILIA COUNTERPARTS.

18. IN PRIVATE EVENING SESSION WITH YEUTTER AND GEIMER, ROUANET WAS SOMEWHAT MORE FORTHCOMING AND WANTED TO DISCUSS LIMITED OFFICIAL USE

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PAGE 04 SAN JO 04383 03 OF 03 091627Z

SPECIFIC WORDING OF THEIR GENEVA PROPOSAL. AMB. YEUTTER DEMURRED, BUT SAID THAT U.S. WOULD WORK WITH LANGUAGE DURING NEXT FEW DAYS AND SUBMIT OUR IDEAS TO BRAZIL IN ADVANCE OF SEPTEMBER 7 MEETING. AMBASSADOR YEUTTER EMPHASIZED U.S. DESIRE TO INCLUDE REFERENCE TO GRADUATION CONCEPT IN RECIPROCITY ISSUE, AND NEED FOR CAREFUL WORDING ON RELATIONSHIP OF S&D TO MFN (ARTICLE I). U.S. ALSO AGREED TO PROVIDE BRAZILIANS WITH LANGUAGE THAT EC OR U.S. WOULD PROPOSE ON SUPPLY ACCESS.
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